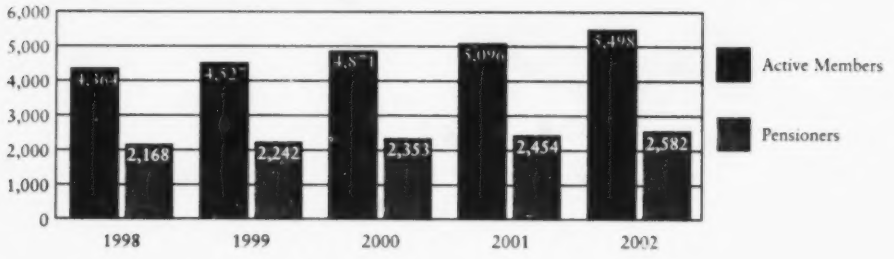
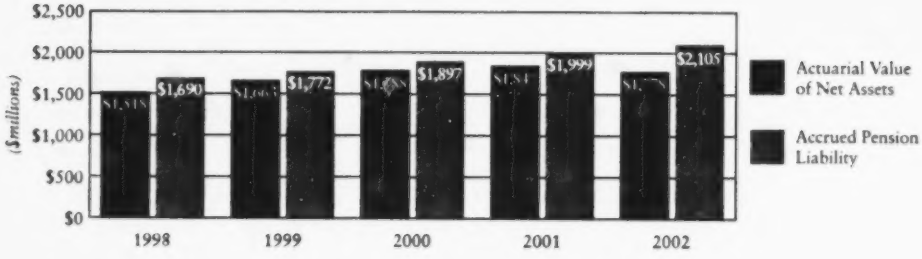
Annual Report 2002

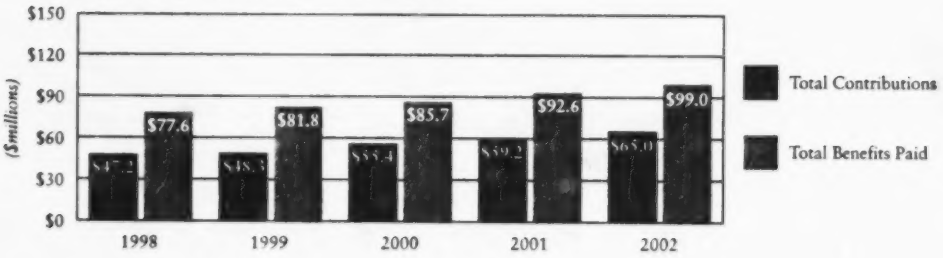
Member and Pensioner Statistics



Assets and Liabilities



Contributions and Benefits Paid



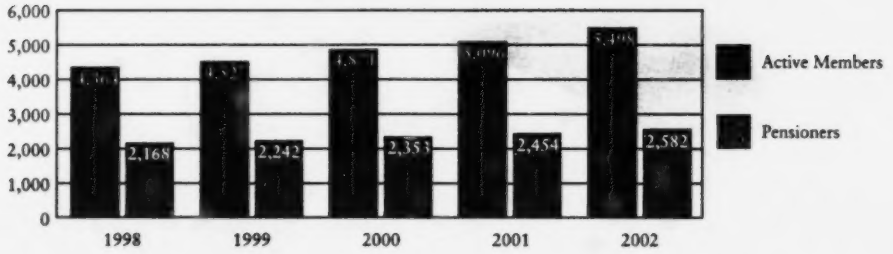
Assets & Liabilities Summary
As at December 31

($millions)

	2002	2001
Net Investments	1,536	1,677
Net Receivable	6	6
Net Assets	1,542	1,683
Actuarial adjustment for fluctuation in fair value of net assets	236	164
Actuarial Value of net assets	1,778	1,847
Actuarial Deficiency	327	152
Accrued pension liability	2,105	1,999

Plan Highlights

Member and Pensioner Statistics



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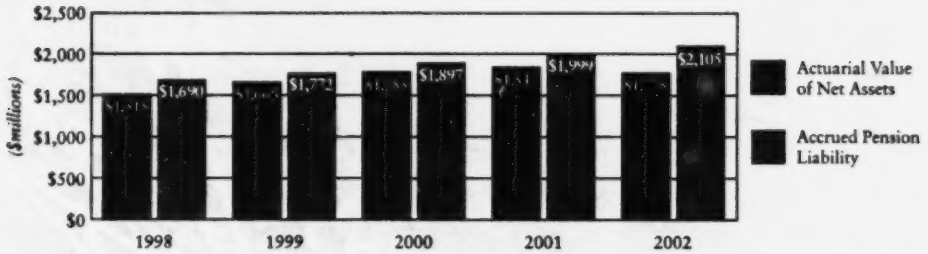

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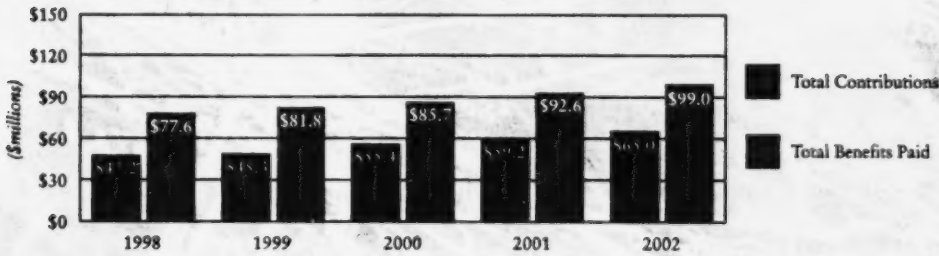

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Profile

The Universities Academic Pension Plan (UAPP) was established in 1978 as a defined benefit pension plan for members of the academic and professional staff of Alberta universities and The Banff Centre for Continuing Education. The UAPP was set up under the Public Sector Pension Plans Act (Alberta) and the Provincial Treasurer was the trustee until December 31, 2000.

The UAPP became an independent pension plan registered under the *Employment Pension Plans Act* (Alberta) and the *Income Tax Act* (Canada) as of January 1, 2001. The UAPP is now established under the Sponsorship and Trust Agreement signed by the academic staff associations and the boards of governors of four Alberta universities and The Banff Centre for Continuing Education as Sponsors.

- The Board of Trustees (Board), as established under the Sponsorship and Trust Agreement, became the trustee of the UAPP as of January 1, 2001.
- The UAPP has approximately 5,500 active members, 700 deferred members and 2,600 pensioners.
- The UAPP Fund's market value at the end of 2002 was $1.54 billion.

Message from the *Chair*

G. Keith Winter

2002 marked the second year for the UAPP as an independent pension plan registered under the *Employment Pension Plans Act* (EPPA). The Board's key objectives for the year were to transfer the pension administration services to the new provider by year-end, monitor investment performance and review and update, as necessary, the Statement of Investment Policies and Goals, work with our Sponsors on plan design and governance issues, manage emerging issues and strengthen overall plan governance.

The transfer of pension administration services to Buck Consultants Limited and CIBC Mellon was undertaken to provide quality pension services to our members and employers in a cost-effective manner through the use of modern web-based technology. This transfer project required a tremendous amount of work on the part of our small staff, with oversight by the Administration Committee of the Board. Employers, through the Pension Coordination Committee, provided valuable input and feedback on items of interest to them in the project. I am pleased to report that the transition is now complete and Buck Consultants Limited has become UAPP's pension services provider, and CIBC Mellon provides pension and other benefit payments to the UAPP members. The Board is confident that the members and employers will be pleased with the new service system once it is fully operational.

Global equity markets, reflecting fears of an economic slowdown and concerns over corporate governance and high valuations continued to decline well into 2002. Though the months of October and November saw some recovery, for the most part, equity markets across the globe experienced their third consecutive negative year. This large decline was only partially offset by the strong performance of bonds. Consequently, most pension plans experienced another negative year and our Fund's return was –6.3%. Even though the Fund's fixed income portfolio performed well, our large allocation to foreign equities did not help our relative performance.

The adverse experience of the Fund in recent years must be taken in the context of long-term investment returns. The continuous decline of the equity markets for three years in a row represents an extreme event in historical terms. It is well recognized that it is difficult to predict short-term outcomes of markets. Therefore, disappointing as the results are, the Board believes that it is important to maintain a steady course through this turbulent period. The UAPP's asset mix of 65.0% equities and 35.0% fixed income is designed to capture the historical high rates of return from equities through a prudent, well-diversified portfolio.

The Investment Committee has been strengthened by the addition of Bob Hager, retired Chair of Phillips Hager & North Ltd. and Bob Normand, President & CEO of ATB Financial as external members. The Committee is responsible for monitoring the performance of the UAPP Fund and assisting the Board on investment-related matters. Damon Williams, FCIA, CFA and Brendan George, FCIA, CFA of Aon Consulting Inc. in Vancouver have been hired to act as asset consultants to the Committee.

During the year, based on the recommendations of the Investment Committee, the Board adjusted the equity investments to a more equal weighting between Canadian, US and EAFE markets. The Investment Committee reviewed the Fund's exposure to currencies and examined the suitability of other asset classes such as real estate, private equity and hedge funds for potential future investments.

The Board, based on the Investment Committee's recommendation, has plans to undertake a full asset/liability study in conjunction with the next actuarial valuation. This would allow the Board and the Investment Committee to review risk return expectations of various asset classes and their mixes and target the investment policy towards an optimal portfolio within its risk tolerance.

The Board is very aware of the impact of adverse investment results on member and employer contributions. We are required to undertake the next actuarial valuation by the end of 2003 and adjust contributions to meet the EPPA's funding standards. Therefore, the Board has been closely monitoring the Plan's unfunded liability and its potential impact on required contributions. The Board has been and plans to remain in touch with Plan Sponsors on this important issue as we move towards an actuarial valuation.

The Sponsors have set up a Sponsors Working Group to assist them in carrying out their responsibilities relative to the Plan. The joint ad hoc Committee on Plan Design has already done some background work and explored some initial recommendations to improve the Plan. The Board also held a joint workshop with Sponsors on plan governance. As we move forward, the Board will be pleased to assist the Sponsors to improve the UAPP and solidify its governance.

As part of its goal to strengthen the UAPP's governance, during the year, with the assistance of the Administration Committee, the Board developed policies on Trustees' remuneration, travel expenses, Trustees' education, procurement, and protection of members' personal information and privacy. The Board appointed KPMG LLP as the auditors for the UAPP after an open competition.

While 2002 has been disappointing in investment terms, the Board believes that it has taken important and solid steps in other areas to establish the UAPP as an independent, well-governed plan.

On behalf of the UAPP, I would like to thank Auke Elzinga for his many contributions to the work of the Board over the last five years. He served as a Trustee on the Board and also as Chair of the Audit Committee. Auke retired at the end of 2002 from the Board, and although we will miss him on the Board, we are pleased that he has agreed to serve as an external member of the Audit Committee.

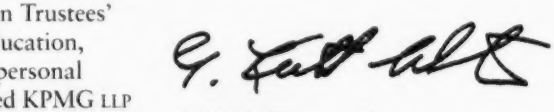
The Board welcomes Nancy Walker, CA, appointed by the board of governors of the University of Lethbridge, as a new Trustee in 2003 and looks forward to working with her.

We look forward to the continuing contributions of Bob Hager and Bob Normand on the Investment Committee, and Bill Halford on the Audit Committee. We are grateful to them for sharing their expertise and insights with us.

The Board thanks APA for their cooperation in assisting us through the transition to a new service provider. The Board also appreciates the hard work of the staff at IMD, particularly Laurence Waring and Kirby O'Connor.

I would like to thank my colleagues on the Board for their service and dedication to the UAPP and for their personal support to me.

Finally, it is my very pleasant task to thank our small staff, Virendra Gupta, Bob Langston and Pat Verhagen, for their limitless energy, commitment and service.



G. Keith Winter, Chair
Board of Trustees
UNIVERSITIES ACADEMIC PENSION PLAN

Board of Trustees

Universities Academic Pension Plan

Board Composition

The Board of Trustees of the Universities Academic Pension Plan oversees the Plan. The Board is composed of four employer trustees, four employee trustees and one employer representative. The offices of Chair and Vice-Chair alternate every two years between employer and employee trustees.

Board Mandate

The Board is responsible for administration of the UAPP, investment of UAPP funds, setting contribution rates required to fund the UAPP and assisting Sponsors in developing appropriate changes to the UAPP.

Mission

It is the mission of the Board to deliver on its mandate in a manner that is consistent with:

- high quality services to the UAPP and members,
- prudent investment of the Fund,
- stable contribution rates,
- best practices in pension plan governance and management, and
- all applicable rules, laws and regulations.

Values

In carrying out its mission, the Board is guided by the following values:

- work in full partnership with Sponsors,
- be customer/stakeholder focused,
- be open, accountable and responsible for its actions,
- conduct UAPP business with trust, fairness and integrity,
- adhere to the highest ethical standards,
- value and treat employees as a vital resource, and
- learn, adapt and change to do UAPP business better.

Board of Trustees — 2002

Employer Appointees

David Burnett, CA
Athabasca University

Auke Elzinga, FCA
The University of Lethbridge

Lloyd Malin, QC
The University of Alberta

Keith Winter, PhD (Chair)
The University of Calgary

Employee Appointees

Ron Bercov, PhD
The University of Alberta

Daniel Furgason, BSc
The University of Lethbridge

Mary Hamilton, PhD
Athabasca University

Ted Horbulyk, PhD (Vice-Chair)
The University of Calgary

Representative

Art Nutt, CGA
The Banff Centre for Continuing Education

Board of Trustees — 2003

Employer Nominees

David Burnett
Lloyd Malin
Nancy Walker, CA
Keith Winter

Employee Nominees

Ron Bercov
Daniel Furgason
Mary Hamilton
Ted Horbulyk

Representative

Art Nutt

Back Row:

Mary Hamilton, Art Nutt,
Lloyd Malin, David Burnett,
Dan Furgason, Ron Bercov

Front Row:

Auke Elzinga, Keith Winter,
Ted Horbulyk, Virendra Gupta

Committees of the Board

Administration Committee

Ted Horbulyk, Chair
Lloyd Malin
Art Nutt

Audit Committee

David Burnett
Auke Elzinga, Chair
Bill Halford, FCA
Mary Hamilton

Investment Committee

Ron Bercov
Dan Furgason, Chair
Bob Hager, retired Chair of Phillips Hager & North Ltd., Vancouver
Bob Normand, President & CEO of ATB Financial, Edmonton
Keith Winter

Administration Services Provider

Buck Consultants Limited
Member Pension Inquiries
1-866-709-2092 (toll-free)

Actuary

Mercer Human Resource Consulting

Auditor

KPMG LLP

Pensioner Payroll

CIBC Mellon Global Securities Services Company
Pensioner Payroll Inquiries
CIBC Mellon Pension Benefits Department
PO Box 5858, Station B
London ON N6A 6H2
1-800-565-0479 (toll-free)
www.CIBCMellon.com

Fund Management

Investment Management Division
Alberta Revenue

Staff

Virendra Gupta, MASc, CFA
Executive Director
Phone: (780) 415-8869

Robert Langston, CA
Director of Finance & Administration
Phone: (780) 415-8870

Patricia Verhagen, BA
Administrative Officer
Phone: (780) 415-8866

Universities Academic Pension Plan
#504, Park Plaza, 10611 – 98 Avenue
Edmonton, AB T5K 2P7
Fax: (780) 415-8871
www.uapp.ca

Investment Report

Investment Approach

The total return achieved by the Fund directly impacts the contributions required to fund the Plan. The higher the returns, the lower the contributions required from employers and employees to pay for the benefits under the Plan. That would mean that the Fund should maximize long-term gains. However, investments with the greatest long-term rates of return also experience the greatest volatility. For example, returns for Canadian equities and long bonds from 1924 to 2001 show that the annual compound return was 10.1% and 6.0% respectively but the standard deviation of annual returns for equities was 18.6% versus 9.0% for long bonds. Consequently, the Fund's investment approach has to balance the potential for long-term gains against the short-term risk.

The Fund's goal is to obtain superior long-term returns historically produced by equity investments while controlling volatility of returns through diversification of investments across various asset classes and markets. The Statement of Investment Policies and Goals embodies the investment beliefs of the Board and sets, among other things, asset mix policy, which specifies allocations to various types of investments such as bonds, Canadian and foreign equities. The Board reviews the Statement of Investment Policies and Goals at least once a year and makes adjustments as necessary. The Investment Manager has the authority to add value by varying the allocation to each class within prescribed ranges.

Performance at the total Fund level and the value-added by the Investment Manager is measured against a composite benchmark which reflects the performance of individual asset class benchmarks. The results for each asset class are measured against the appropriate benchmark for that class. Performance is measured monthly and reviewed quarterly with an emphasis on one-year and four-year time periods.

The Investment Management Division (IMD) of Alberta Revenue manages the UAPP's investments within the framework set by the Board's Statement of Investment Policies and Goals and handles all related day-to-day operations. IMD manages all fixed income investments and a portion of Canadian equity investments internally and hires multiple external managers with specialized mandates to carry out the active equity investments in the Canadian, US, EAFE and Emerging markets. Some 23 Canadian and international firms provided investment services in 2002.

Funding Return Target

The UAPP is required by law to perform an actuarial valuation of the Plan at least once every three years and adjust the contributions, if necessary, to meet the funding standards set in the *Employment Pension Plans Act*. The actuarial valuation estimates the liabilities for service rendered to the date of the valuation and the annual contributions required to fund future service and pay for any shortfall for past service. The real rate of return, i.e., return net of inflation, is a key assumption used in an actuarial valuation. The UAPP's last valuation was done as of December 31, 2000. It assumed a long-term real rate of return of 4.0% per year. Therefore, the Fund must, on average, earn a real return of 4.0% annually to keep the Plan's funding in line with the actuarial valuation.

Asset Mix Policy

The Board's current asset mix policy allocates 35.0% of the total Fund to fixed income (cash & short-term, long bonds and real return bonds) and 65.0% to equities.

In recognition of the fact that the Canadian market is less than 2.0% of the world market and that a few companies account for a large percentage of the market, the Board reduced the allocation to Canadian equities from 25.0% to 20.0% of the Fund. To diversify the investment portfolio and take advantage of opportunities offered by foreign markets, the Board increased the allocation to the US market from 18.0% to 20.0% and the Non-North American markets from 22.0% to 25.0% of the Fund. These moves were designed to improve the long-term risk return profile of the Fund.

Universities Academic Pension Plan

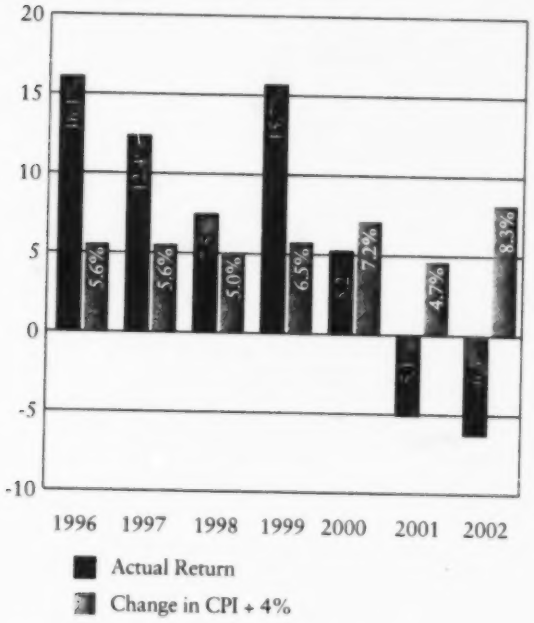
ASSET MIX %

December 31, 2002	Policy Asset Mix		Actual	
	2002	2001	2002	2001
Fixed Income				
Cash & Short-term	2.0%	2.0%	0.7%	2.0%
Long-term	18.0%	18.0%	18.1%	18.4%
Real Return Bonds	15.0%	15.0%	15.0%	13.9%
Total	**35.0%**	**35.0%**	**33.8%**	**34.3%**
Equities				
Canadian	20.0%	25.0%	20.3%	26.3%
United States	20.0%	18.0%	20.2%	17.8%
Non-North American	25.0%	22.0%	25.7%	21.6%
Total	**65.0%**	**65.0%**	**66.2%**	**65.7%**

Total Fund Performance

Global equity markets continued to decline in 2002. It was the third down year in a row for the major equity markets. The Canadian market as measured by the S&P/TSX was down 12.4%, the US market as measured by the S&P 500 was down 22.9% in Canadian dollar terms, and other developed markets as measured by EAFE were down 16.8%. Only fixed income holdings posted positive numbers. In aggregate, over the last three years, global stock markets have declined by over 49.0%, the largest decline since the great depression of the 1920's.

Annual Return %



Primarily because of the declining equity markets, the UAPP Fund experienced a return of –6.3%. This adverse experience of the Plan must be taken in the context of longer-term investment experience. From a historical perspective, the equity markets have very rarely declined for three years in a row. It is important to maintain a steady course through this difficult period. The UAPP asset allocation is structured to capture the historically higher rates of return from equities. In this context, it should be noted that even though the Fund has not met its return target in one of the historically worst market periods, the Fund has still more than met its long-term real return target of 4.0%. The real rate of return over the last eight years was 5.4%.

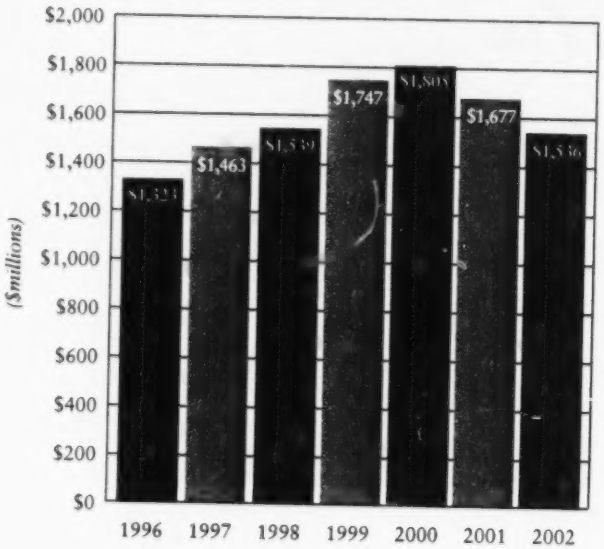
Total Fund return in 2002 was 1.0% below the Frank Russell Median Balanced Fund Return. Most of this difference was probably due to different asset allocation of the average fund in the Frank Russell Balanced Fund universe. However, one has to be cautious in interpreting such differences, because some funds report results net of fees, as the UAPP does, while many others report the performance on a gross basis. Also, different funds tend to have different risk profiles, which can lead to significant differences in performance from one year to the next.

It is because of concerns about these types of differences among plans that a fund's performance is generally compared to its policy benchmark. Measured this way, the Fund's performance of –6.3% was 0.8% better than the policy benchmark return of –7.1%. On a four-year rolling basis, the Fund's actual return was 0.9% better than the policy benchmark return of 1.1%.

In terms of the value-added by the Investment Manager for the year, IMD's asset allocation decisions added 0.13% to the Plan's investment performance. Product performance, led by small cap managers in both Canada and the US, added 0.60%.

As of December 31, 2002, the market value of the Fund's investments was $1,536 million. Pension and other benefit payments from the Plan exceeded the total contributions by $34 million in 2002.

Market Value of Investments



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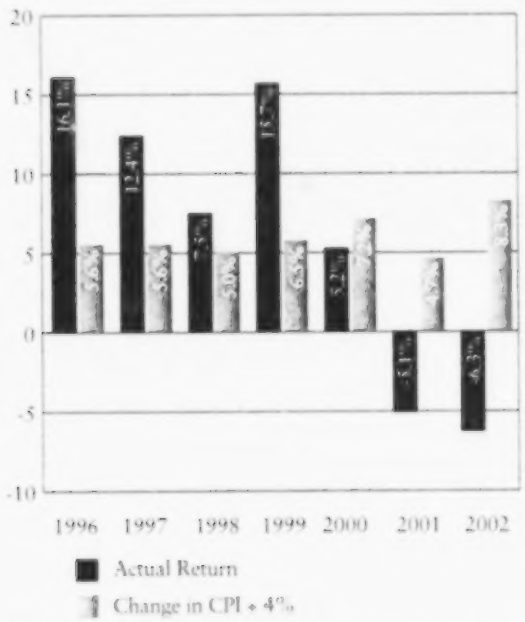

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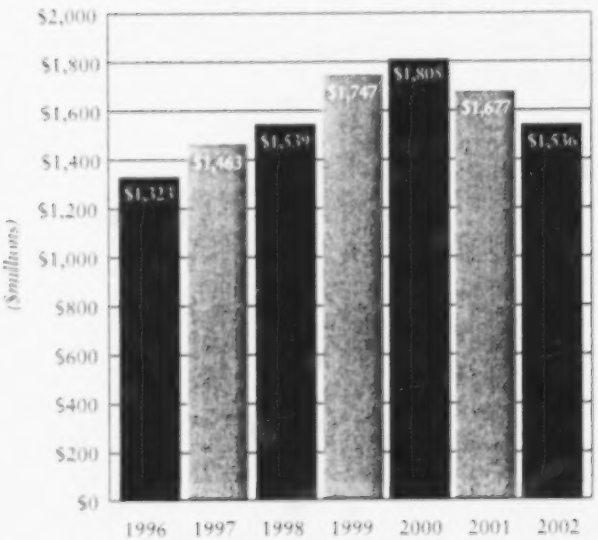
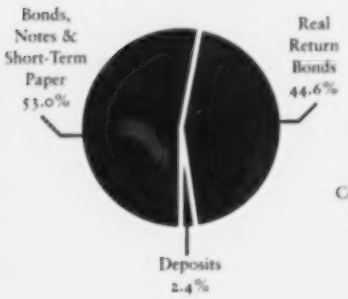
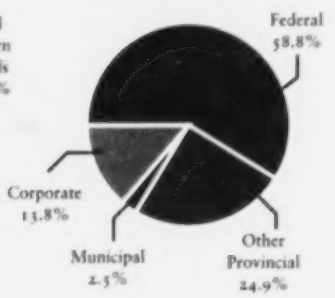


Summary of Fixed Income Holdings
(by type of security)



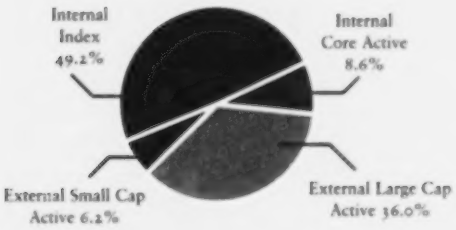
Summary of Fixed Income Holdings
(issued and guaranteed by)



Short-Term Fixed Income	Actual Fund Return	Benchmark Index (ScotiaCapital 91-Day T-Bill Index)	Value-Added
One-year	2.8%	2.5%	30 basis points
Four-year	4.6%	4.3%	30 basis points

Long-Term Fixed Income	Actual Fund Return	Benchmark Index (ScotiaCapital Long Bond & Real Return Indices)	Value-Added
One-year	14.0%	13.0%	100 basis points
Four-year	6.8%	6.8%	0 basis points

Summary of Canadian Equity Holdings



Top 10 Canadian Equity Holdings
December 31, 2002

Company	%
Royal Bank of Canada	6.0%
Bank of Nova Scotia	4.4%
BCE Inc.	3.8%
Toronto Dominion Bank	3.7%
Bank of Montreal	3.4%
Encana	3.3%
Sun Life Financial Services	3.1%
Petro Canada	2.6%
Alcan Inc.	2.2%
Manulife Financial Corp.	2.0%

Canadian Equities	Actual Fund Return	Benchmark Index (S&P/TSX Composite Index)	Value-Added
One-year	-12.0%	-12.4%	40 basis points
Four-year	2.8%	2.0%	80 basis points

Fixed Income Investments

The fixed income component has allocations to long bonds, real return bonds and short-term securities. IMD manages it internally.

Overall, the Plan's fixed income allocation outperformed the respective benchmarks. Long Duration Bonds returned 11.9% versus the ScotiaCapital Long Bond Index return of 11.0% and the real return bonds equaled the ScotialCapital Real Return Bond return of 15.3%. The cash and short-term component had a return of 2.8%, exceeding the 2.5% return of the ScotiaCapital 91-Day T-bill Index.

Canadian Equity Investment

The Plan invests in Canadian equities through several strategies, including both indexed and active mandates. IMD manages the Toronto Stock Exchange Composite enhanced index and core strategies internally. External investment advisors manage the large cap active strategy, which invests in companies with a large market capitalization, and the small cap active strategy.

The total Canadian equity return was -12.0% versus -12.4% for the S&P/TSX Composite Index. The internally managed core product underperformed due to a tilt towards underperforming growth stocks. The under-performance was more than offset by outperformance by the other products. A major contributor was the Plan's exposure to small cap. Not only did small cap perform very well against the large cap segment of the marketplace, but also the individual small cap managers outperformed the small cap index by a significant margin.

Foreign Equity Investments

The foreign equity allocation is divided by policy into allocations to the US and to Non-North American equity markets. Within the Non-North American segment, mandates are divided into either regional (e.g. Europe) where the manager invests solely within the region, or multi-regional (e.g. Europe, Australia and Far East) where the manager may invest across the different regions.

US Equities

The Plan's investments in the US are allocated approximately 75.0% to passive and 25.0% to active strategies. A significant portion is invested in the internally managed structured derivative product, which is designed to manage the Fund's exposure to foreign equity relative to the Federal Income Tax Act foreign property limits. The remainder is allocated to active external managers.

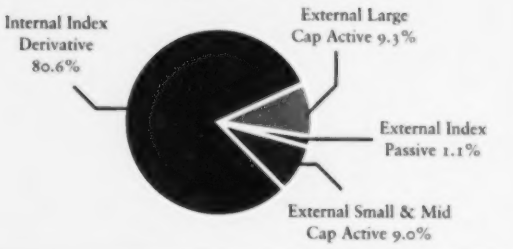
For 2002, the Plan's US equity exposure returned –22.5% better than the S&P 500's return of –22.9% (in Canadian dollars). The externally managed large cap active strategies and index replication product did not perform well. However, IMD's internally managed derivative product managed to outperform. Most of the outperformance could be attributed to the Plan's small cap exposure. Small and mid cap companies outperformed the larger cap segment and the manager outperformed the benchmark by a significant margin.

Non-North American Equities

The Non-North American equity component includes exposure to both developed and emerging markets. Index-based strategies are allocated 25.0% with a portion in a derivative product to manage the Fund's exposure to foreign equity relative to the *Federal Income Tax Act*. The remaining exposure is allocated to external active managers.

The Plan's Non-North American equity exposure, including emerging markets, returned –14.5% in 2002 relative to the MSCI EAFE Index, which returned –16.8% (in Canadian dollar terms). IMD's internal structured product underperformed during the year. This was offset by the index strategy and, even more so, by the externally managed active component. The emerging market exposure was also a significant source of value-added.

Summary of US Equity Holdings

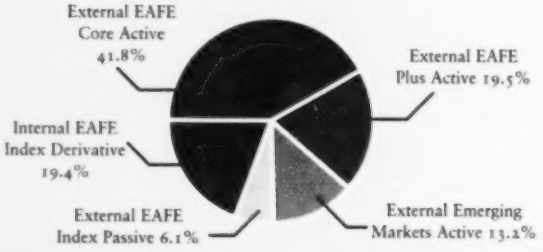


Top 10 US Equity Holdings
December 31, 2002

Company	%
Microsoft Inc.	3.1%
General Electric Co.	2.6%
Exxon Mobil Corp.	2.6%
Wal-Mart Stores	2.3%
Citigroup Inc.	2.2%
Pfizer Inc.	2.1%
American International Group	1.7%
Johnson & Johnson	1.7%
International Business Machines	1.4%
Merck & Co.	1.3%

US Equities	Actual Fund Return	Benchmark Index (S&P 500 Index)	Value-Added
One-year	-22.5%	-22.9%	40 basis points
Four-year	-6.0%	-6.1%	10 basis points

Summary of Non-North American Equity Holdings

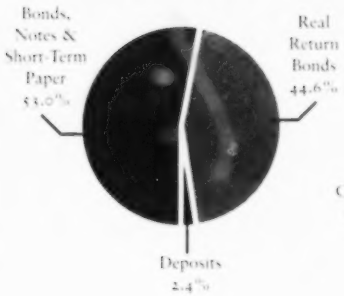

External EAFE Core Active 41.8%
External EAFE Plus Active 19.5%
Internal EAFE Index Derivative 19.4%
External EAFE Index Passive 6.1%
External Emerging Markets Active 13.2%

Top 10 Non-North American Equity Holdings
December 31, 2002

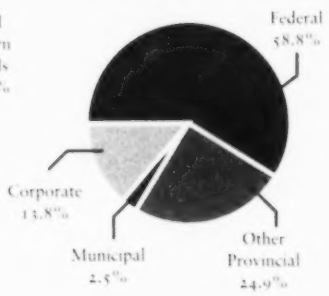
Company	%
Vodafone Group	2.5%
Glaxosmithkline	2.2%
Total Fina Elf	1.9%
BP PLC	1.9%
HSBC Holdings	1.7%
ENI	1.6%
UBS AG	1.6%
Novartis AG	1.5%
Nokia Corporation	1.2%
Royal Dutch Petroleum	1.2%

Non-North American Equities	Actual Fund Return	Benchmark (MSCI EAFE Index)	Value-Added
One-year	-14.5%	-16.8%	230 basis points
Four-year	-2.3%	-7.3%	500 basis points

Summary of Fixed Income Holdings
(by type of security)



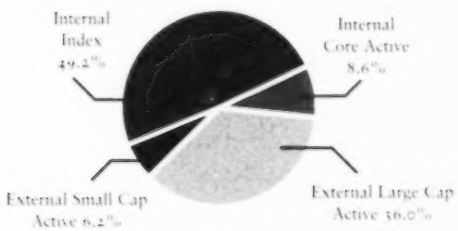
Summary of Fixed Income Holdings
(issued and guaranteed by)



Short-Term Fixed Income	Actual Fund Return	Benchmark Index (ScotiaCapital 91-Day T-bill Index)	Value-Added
One-year	2.8%	2.5%	30 basis points
Four-year	4.6%	4.3%	30 basis points

Long-Term Fixed Income	Actual Fund Return	Benchmark Index (ScotiaCapital Long Bond & Real Return Indices)	Value-Added
One-year	14.0%	13.0%	100 basis points
Four-year	6.8%	6.8%	0 basis points

Summary of Canadian Equity Holdings



Top 10 Canadian Equity Holdings
December 31, 2002

Company	%
Royal Bank of Canada	6.0%
Bank of Nova Scotia	4.4%
BCE Inc.	3.8%
Toronto Dominion Bank	3.7%
Bank of Montreal	3.4%
Encana	3.3%
Sun Life Financial Services	3.1%
Petro Canada	2.6%
Alcan Inc.	2.2%
Manulife Financial Corp.	2.0%

Canadian Equities	Actual Fund Return	Benchmark Index (S&P/TSX Composite Index)	Value-Added
One-year	-12.0%	-12.4%	40 basis points
Four-year	2.8%	2.0%	80 basis points

Fixed Income Investments

The fixed income component has allocations to long bonds, real return bonds and short-term securities. IMD manages it internally.

Overall, the Plan's fixed income allocation outperformed the respective benchmarks. Long Duration Bonds returned 11.9% versus the ScotiaCapital Long Bond Index return of 11.0% and the real return bonds equaled the ScotialCapital Real Return Bond return of 15.3%. The cash and short-term component had a return of 2.8%, exceeding the 2.5% return of the ScotiaCapital 91-Day T-bill Index.

Canadian Equity Investment

The Plan invests in Canadian equities through several strategies, including both indexed and active mandates. IMD manages the Toronto Stock Exchange Composite enhanced index and core strategies internally. External investment advisors manage the large cap active strategy, which invests in companies with a large market capitalization, and the small cap active strategy.

The total Canadian equity return was -12.0% versus -12.4% for the S&P/TSX Composite Index. The internally managed core product underperformed due to a tilt towards underperforming growth stocks. The under-performance was more than offset by outperformance by the other products. A major contributor was the Plan's exposure to small cap. Not only did small cap perform very well against the large cap segment of the marketplace, but also the individual small cap managers outperformed the small cap index by a significant margin.

Foreign Equity Investments

The foreign equity allocation is divided by policy into allocations to the US and to Non-North American equity markets. Within the Non-North American segment, mandates are divided into either regional (e.g. Europe) where the manager invests solely within the region, or multi-regional (e.g. Europe, Australia and Far East) where the manager may invest across the different regions.

US Equities

The Plan's investments in the US are allocated approximately 75.0% to passive and 25.0% to active strategies. A significant portion is invested in the internally managed structured derivative product, which is designed to manage the Fund's exposure to foreign equity relative to the Federal Income Tax Act foreign property limits. The remainder is allocated to active external managers.

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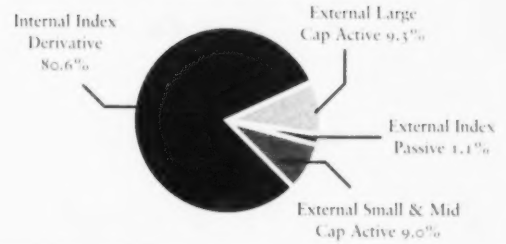
Summary of US Equity Holdings



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Pfizer Inc.	2.1%
American International Group	1.7%
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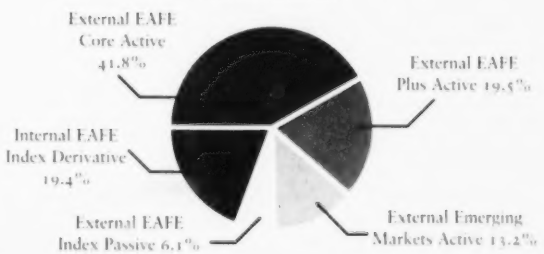
Merck & Co.	1.3%

US Equities	Actual Fund Return	Benchmark Index (S&P 500 Index)	Value-Added
One-year	-22.5%	-22.9%	40 basis points
Four-year	-6.0%	-6.1%	10 basis points

Summary of Non-North American Equity Holdings


External EAFE Core Active 41.8%
External EAFE Plus Active 19.5%
Internal EAFE Index Derivative 19.4%
External EAFE Index Passive 6.1%
External Emerging Markets Active 13.2%

Top 10 Non-North American Equity Holdings
December 31, 2002

Company	%
Vodafone Group	2.5%
Glaxosmithkline	2.2%
Total Fina Elf	1.9%
BP PLC	1.9%
HSBC Holdings	1.7%
ENI	1.6%
UBS AG	1.6%
Novartis AG	1.5%
Nokia Corporation	1.2%
Royal Dutch Petroleum	1.2%

Non-North American Equities	Actual Fund Return	Benchmark (MSCI EAFE Index)	Value-Added
One-year	-14.5%	-16.8%	230 basis points
Four-year	-2.3%	-7.3%	500 basis points

Annual Returns

	2002 %	2001 %	2000 %	1999 %
Total Fund	**-6.3**	**-5.1**	**5.2**	**15.7**
Policy Return	-7.1	-5.3	4.6	13.4
Frank Russell (FR) Median Return	-5.3	-0.5	9.2	12.4
Consumer Price Index	4.3	0.7	3.2	2.5
Short-term fixed income	**2.8**	**4.9**	**5.7**	**5.1**
SC 91-Day T-Bill Index	2.5	4.7	5.5	4.7
Long Duration Bonds	**11.9**	**5.9**	**12.6**	**-5.8**
SC Long Bond Index	11.0	6.1	13.0	-6.0
Real Return Bonds	**15.3**	**-0.9**	**16.5**	**8.1**
SC Real Return Bond Index	15.3	0.5	16.7	8.0
Long-term fixed income	**14.0**	**2.8**	**13.6**	**-2.3**
Fixed Income Index (a)	13.0	3.7	13.9	-2.5
FR Canadian Bonds Median	8.8	8.0	10.4	-1.1
Canadian Equities	**-12.0**	**-9.5**	**10.0**	**27.3**
S&P/TSX Composite Index	-12.4	-12.6	7.4	31.7
Canadian Equity Index (b)	-12.4	-12.3	7.5	30.6
FR Canadian Stocks Median	-9.1	-3.1	12.9	27.2
United States Equities	**-22.5**	**-7.1**	**-4.7**	**13.6**
Standard & Poor's 500 Index	-22.9	-6.4	-5.8	14.2
FR US Stocks Median	-22.9	-5.8	-3.8	9.2
Non-North American Equities	**-14.5**	**-13.2**	**-13.9**	**42.4**
MSCI EAFE Index	-16.8	-16.5	-11.2	20.0
FR Non-North American Stocks	-16.1	-16.0	-10.2	29.3
Foreign Equity Index	**-18.0**	**-10.6**	**-10.1**	**30.6**
Foreign Equity Index (c)	-18.9	-10.5	-10.1	18.7
FR World Equity Stocks Median	-20.1	-9.9	-5.9	19.9

Compound Annualized Returns

	1YR %	2YR %	3YR %	4YR %	8YR %
Total Fund	**-6.3**	**-5.7**	**-2.2**	**2.0**	**7.5**
Policy Return	-7.1	-6.2	-2.7	1.1	7.6
Frank Russell (FR) Median Return	-5.3	-2.7	1.2	4.5	9.4
Consumer Price Index	4.3	2.5	2.7	2.6	2.1
Short-term fixed income	**2.8**	**3.9**	**4.5**	**4.6**	**5.1**
SC 91-Day T-Bill Index	2.5	3.6	4.2	4.3	4.7
Long Duration Bonds	**11.9**	**8.9**	**10.1**	**5.9**	**9.2**
SC Long Bond Index	11.0	8.5	10.0	5.8	11.6
Real Return Bonds	**15.3**	**6.9**	**10.0**	**9.5**	**9.6**
SC Real Return Bond Index	15.3	7.6	10.6	9.9	9.8
Long-term fixed income	**14.0**	**8.2**	**10.0**	**6.8**	**9.6**
Fixed Income Index (a)	13.0	8.2	10.1	6.8	9.8
FR Canadian Bonds Median	8.8	8.5	9.2	6.6	9.6
Canadian Equities	**-12.0**	**-10.7**	**-4.3**	**2.8**	**7.8**
S&P/TSX Composite Index	-12.4	-12.5	-6.3	2.0	7.6
Canadian Equity Index (b)	-12.4	-12.4	-6.2	1.9	7.6
FR Canadian Stocks Median	-9.1	-7.1	1.6	6.6	10.2
United States Equities	**-22.5**	**-15.1**	**-11.8**	**-6.0**	**8.8**
Standard & Poor's 500 Index	-22.9	-15.0	-12.1	-6.1	12.0
FR US Stocks Median	-22.9	-15.0	-11.0	-6.4	10.8
Non-North American Equities	**-14.5**	**-13.8**	**-13.8**	**-2.3**	**5.2**
MSCI EAFE Index	-16.8	-16.7	-14.9	-7.3	2.0
FR Non-North American Stocks	-16.1	-14.6	-11.7	-1.2	4.8
Foreign Equity Index	**-18.0**	**-14.3**	**-13.0**	**-3.7**	**6.3**
Foreign Equity Index (c)	-18.9	-14.8	-13.2	-6.2	6.7
FR World Equity Stocks Median	-20.1	-15.1	-12.7	-4.8	7.9

(a) Combination of the SC Long Bond Index and SC Real Return Bond Index

(b) Combination of the S&P/TSX Index and Nesbitt Burns Small Cap Index

(c) Combination of the S&P 500 Index, MSCI EAFE Index and MSCI Emerging Markets Index

Administration Report

2002 Administration Services Provider

On behalf of the Board, Alberta Pensions Administration (APA) Corporation provided administration services for UAPP in 2002 by collecting contributions and keeping accurate and secure records, and calculating and paying pension and other benefits. APA also provided Plan information to members, pensioners and employers.

A New Service Provider for 2003

In the latter part of 2001, the Board selected Buck Consultants Limited (Buck) to provide plan administration services to the UAPP. The UAPP office, with input from the employers, and Buck have been working on the transition of plan administration from APA to Buck since then.

The transition is now complete and Buck is the administration services provider as of January 1, 2003. The new service uses web-based technology and as it becomes fully operational through 2003, will include:

- Service representatives to answer UAPP-related questions.
- Availability of a password-protected calculator that will allow members to estimate their pension based on their own personal data in the second quarter of 2003.
- Many other improvements such as availability of Personal Annual Benefits Statements on the web, shorter turnaround time in processing benefits, reduced reliance on paper and mail service and higher service standards.

In line with the change in the pension administration services provider, the Trustees have appointed CIBC Mellon as the payroll services provider for pension and other lumpsum benefits.

The Board is confident that members will be pleased with the new system once it is fully operational.

Statistics

Contributions

Contributions made to UAPP in 2002 totaled $65.0 million. This included $30.6 million from active members, $28.9 million from employers, and $5.5 million from the Government of Alberta. Total contributions in 2001 were $59.2 million.

Payments

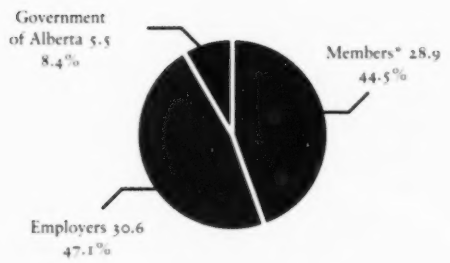
Payments from the Plan totaled $101.0 million, including $93.4 million in pension benefits, $5.6 million in refunds to members, and $2.0 million in Plan expenses. In 2001, total payments from the Plan were $95.0 million.

Expenses

In 2002, UAPP's plan expenses totaled $2,030,000, or $239 per member, compared to $303 per member in 2001. Reduced transition costs accounted for the majority of the decrease. APA costs were $684,000, or $81 per member, compared to $71 per member in 2001.

Contributions

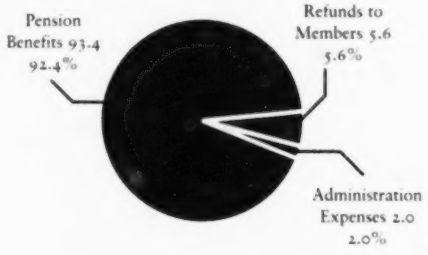
($millions)



**Member contributions include prior service contributions.*

Payments

($millions)



Participation

	2002	2001
Active Members	5,498	5,096
Deferred Members	690	625
Pensioners	2,582	2,454
Total	**8,770**	**8,175**

New Pensioners

	2002	2001
Retirements	42	29
Early Retirements	103	82
Disability Retirements	0	0
Death Benefits to Spouses	3	4
Total	**148**	**115**

New Pensioner Retirement Choices

As at December 31, 2002

	2002	2001
Single life – with or without guarantee	43	32
Joint life – 2/3 spouse, no guarantee	17	16
Joint life – 2/3 spouse, 10-yr guarantee	30	24
Joint life – 100% spouse, no guarantee	11	9
Joint life – 100% spouse, 10-yr guarantee	47	34
Total	**148**	**115**

Monthly Payment Distributions

As at December 31, 2002

Dollar value ($) per month	Member pensions	Spouse's pensions	Total
1 to 999	189	12	201
1,000 to 1,999	418	47	465
2,000 to 2,999	557	34	591
3,000 to 3,999	624	18	642
4,000 and over	682	1	683
Total	**2,470**	**112**	**2,582**

Management's Responsibility for Financial Reporting

The financial statements and information in the 2002 Annual Report are the responsibility of management and have been approved by the Board of Trustees.

The financial statements have been prepared in conformity with Canadian generally accepted accounting principles and, of necessity, include some amounts that are based on estimates and judgments. Financial information presented in the 2002 Annual Report that relates to the operations and financial position of the Universities Academic Pension Plan is consistent with that in the financial statements.

The Investment Management Division (IMD) of Alberta Revenue, acting in the capacity of investment manager, and Alberta Pensions Administration (APA) Corporation, acting in the capacity of pension administrators, maintain systems of internal control, including written policies, standards and procedures and formal authorization structure.

These systems are designed to provide management with reasonable assurance that transactions are properly authorized, reliable financial records are maintained and assets are adequately accounted for and safeguarded.

The Audit Committee assists the Board of Trustees in discharging its responsibility to approve the annual financial statements. The Committee meets regularly with both management and external auditors to review the scope and timing of the audit as well as to review any internal control or financial issues and their resolution. The Committee reviews the annual financial statements and recommends them to the Board of Trustees for approval.

KPMG LLP (KPMG), the Plan's external auditor, provides an independent audit of the financial statements. Their examination is conducted in accordance with Canadian generally accepted auditing standards and includes tests and other procedures that allow them to report on the fairness of the financial statements. KPMG has full and unrestricted access to discuss the audit and related findings regarding the integrity and financial reporting and the adequacy of internal controls.

Virendra Gupta
Executive Director
Universities Academic Pension Plan

Robert Langston, CA
Director of Finance and Administration
Universities Academic Pension Plan

Auditors' Report

to the Board of Trustees of the Universities Academic Pension Plan

We have audited the statement of net assets and accrued pension liability of the Universities Academic Pension Plan (the Plan) as at December 31, 2002 and the statements of changes in net assets available for benefits, changes in accrued pension liability and changes in actuarial deficiency for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets and accrued pension liability of the Plan as at December 31, 2002 and the changes in net assets, accrued pension liability and actuarial deficiency for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures for 2001 were audited by the Auditor General of the Province of Alberta.

KPMG LLP
Chartered Accountants

Edmonton, Canada
February 25, 2003

Statement of Net Assets and Accrued Pension Liability

As at December 31 ($thousands)

	2002	2001
Net assets available for benefits		
Assets		
Investments (Note 3)	$ 1,535,736	$ 1,677,461
Accrued investment income and accounts receivable	838	785
Contributions receivable		
Employers	2,472	2,309
Employees	2,538	2,334
Province of Alberta	67	392
	1,541,651	1,683,281
Liabilities		
Accounts payable and accrued liabilities	223	177
Net assets available for benefits	1,541,428	1,683,104
Actuarial adjustment for fluctuation in fair value of net assets (Note 2 (c))	236,500	163,900
Actuarial value of net assets available for benefits	1,777,928	1,847,004
Actuarial deficiency (Note 8)	327,372	151,996
Accrued pension liability	$ 2,105,300	$ 1,999,000

See accompanying notes and schedules.

Statement of Changes in Net Assets Available for Benefits

For the year ended December 31 ($thousands)

	2002	2001
Contributions received		
Current and optional service		
Employers	$ 28,645	$ 25,585
Employees	30,275	27,359
Additional contributions to meet pre-1992 unfunded liability		
Employers	289	922
Employees	289	922
Province of Alberta	5,472	4,398
	64,970	59,186
Other loss		
Net investment loss (Note 6)	(105,665)	(92,333)
Payments made		
Pension benefits	(93,384)	(88,393)
Refunds and transfers to members	(5,567)	(4,189)
Plan expenses (Note 7)	(2,030)	(2,372)
	(100,981)	(94,954)
Decrease in net assets	(141,676)	(128,101)
Net assets available for benefits at beginning of year	1,683,104	1,811,205
Net assets available for benefits at end of year	$ 1,541,428	$ 1,683,104

See accompanying notes and schedules.

Statement of Changes in Accrued Pension Liability

For the year ended December 31 (Sthousands)

	2002			2001
	Pre-1992	Post-1991	Total	Total
Increase in accrued pension liability				
Interest accrued on liability	$ 108,300	$ 46,200	$ 154,500	$ 146,700
Benefits earned	-	54,500	54,500	51,100
	108,300	100,700	209,000	197,800
Decrease in accrued pension liability				
Benefits paid, including interest	86,200	16,500	102,700	96,000
Net increase in accrued pension liability	22,100	84,200	106,300	101,800
Accrued pension liability at beginning of year	1,439,721	559,279	1,999,000	1,897,200
Accrued pension liability at end of year (Note 8)	$ 1,461,821	$ 643,479	$ 2,105,300	$ 1,999,000

See accompanying notes and schedules.

Statement of Changes in Actuarial Deficiency

For the year ended December 31 ($thousands)

	2002			2001
	Pre-1992	Post-1991	Total	Total
Actuarial deficiency (surplus) at beginning of year	$ 192,717	$ (40,721)	$ 151,996	$ 109,495
Decrease (increase) in net assets available for benefits	147,576	(5,900)	141,676	128,101
Net change in actuarial adjustment for fluctuation in fair value of net assets	(44,200)	(28,400)	(72,600)	(187,400)
Net increase in accrued pension liability	22,100	84,200	106,300	101,800
Actuarial deficiency at end of year	$ 318,193	$ 9,179	$ 327,372	$ 151,996

See accompanying notes and schedules.

Notes to the Financial Statements

December 31, 2002

Note 1
Summary Description of the Plan

Effective January 1, 2001 the Universities Academic Pension Plan (the Plan) became a non-statutory pension plan subject to and registered under the *Employment Pension Plans Act* of Alberta. The Plan is also registered under the *Income Tax Act* as a registered pension plan. The Plan's registration number is 0339572. The Plan now operates under a Sponsorship and Trust Agreement signed by the Plan Sponsors. For a complete description of the Plan, see the Sponsorship and Trust Agreement. The Board of Trustees appointed by Plan Sponsors is responsible for administration of the Plan. The summary description of the Plan described below applies to members who contribute to the Plan on or after January 1, 2001.

(a) General

The Plan is a contributory defined benefit pension plan for academic staff members and other eligible employees of the universities of Alberta, Calgary and Lethbridge, Athabasca University and The Banff Centre. In addition, employees of the Board of Trustees are eligible for membership.

(b) Funding Policy

Contributions and investment earnings are expected to fund all benefits payable under the Plan. Contributions are reviewed in consultation with the Plan's actuary at least once every three years by the Board of Trustees of the Plan.

During the current year, employer and employee contribution rates remained unchanged from the rates in effect in 2001.

Current service costs for the universities of Alberta, Calgary and Lethbridge are funded by matching employee and employer contributions on pensionable salaries. Rates in effect at December 31, 2002 were 6.305% of pensionable salary up to the Canada Pension Plan's Year's Maximum Pensionable Earnings (YMPE) and 8.705% on pensionable salary above the YMPE.

Rates in effect for employees of Athabasca University and The Banff Centre were 5.805% of pensionable salaries up to the Canada Pension Plan's YMPE and 8.205% on pensionable salary above the YMPE. Employers contribute at a rate 1.0% more than employees.

The unfunded liability for service prior to January 1, 1992 as determined by actuarial valuation is financed by additional contributions from the Province of Alberta, employers and employees. Contribution rates are set on the basis that the additional contributions will eliminate the unfunded liability on or before December 31, 2043. The rate for employers and the rate for employees at December 31, 2002 was 0.07% of salary and the rate for the Province of Alberta was 1.25% of salary.

(c) Retirement Benefits

The Plan provides for a pension of 2.0% for each year of pensionable service, based on the average salary of the highest five consecutive years. The maximum service allowable under the Plan is 35 years. The Plan's benefits and contributions were integrated with the Canada Pension Plan as of January 1, 1994. As a result, pensions for service after 1993 are reduced at age 65. The reduction is based on 0.6% of the Canada Pension Plan's average YMPE for the same five years as used in calculating the average salary of the highest five consecutive years.

Members are entitled to an actuarially unreduced pension for service before 1994 if they have attained age 55 and have at least two years of membership.

Members are entitled to an actuarially unreduced pension for service after 1993 if they have either attained age 60 and have at least two years of membership or have attained age 55 and the sum of their age and years of membership equals at least 80.

Members are entitled to a reduced pension for service after 1993 if they have attained age 55 and have at least two years of membership.

Members who become disabled and have at least two years of membership and are not in receipt of benefits from an approved disability plan are eligible to apply for a disability pension.

(d) Death Benefits

Death benefits are payable on the death of a member. If the member had at least two years of membership, a surviving spouse may choose to receive a pension based on total service or a lump sum payment. For a beneficiary other than a spouse, or where membership is less than two years, a lump sum payment must be chosen.

(e) Termination Benefits

Members who terminate with two or more years of membership and are not immediately entitled to a pension may elect to receive a deferred pension or a lump sum refund.

Refunds on service performed before 1994 equal employee and employer contributions plus interest, or the commuted value of the member's earned pension, whichever is greater.

Refunds on service performed after 1993 equal 1.75 times employee contributions plus interest, or the commuted value of the member's earned pension, whichever is greater.

Refunds are subject to the Plan's lock-in provisions and excess contribution rules.

Members with less than two years of membership are entitled to a refund of their own contributions plus interest.

(f) Disability Benefits

Members who become disabled and are in receipt of benefits from an approved disability plan continue to earn pensionable service credits under the Plan.

(g) Optional Service and Transfers

Optional service purchases are to be cost-neutral to the Plan.

Reciprocal agreements provide that service be transferred into the Plan on an actuarial reserve basis and the service transferred out of the Plan receive the greater of the termination benefits or commuted value for all service.

(h) Cost-of-Living Adjustments

Pensions payable are increased each year by an amount equal to 60% of the average of the increases in the CPI (Alberta) in the twelve-month period ending on October 31st of the previous year.

Note 2

Summary of Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

These financial statements are prepared on the going concern basis in accordance with Canadian generally accepted accounting principles. The statements provide information about the net assets available in the Plan to meet future benefit payments and are prepared to assist plan members and others in reviewing the activities of the Plan for the year.

Plan investments are held in pooled investment funds administered by Alberta Revenue. Pooled investment funds have a market-based unit value that is used to allocate income to pool participants and to value purchases and sales of pool units.

(b) Valuation of Assets and Liabilities

Investments are stated at fair value. The methods used to determine the fair value of investments held by pooled investment funds are explained in the following paragraphs:

Short-term securities, public fixed income securities and equities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company.

Private fixed income securities and mortgages are valued based on the net present value of future cash flows. These cash flows are discounted using Government of Canada bond rates adjusted for a risk premium estimated by investment managers of Alberta Revenue.

The fair value of private equities is estimated by Alberta Revenue.

The fair values of deposits, receivables, accrued investment income and payables are estimated to approximate their book values.

(c) Actuarial Value of Net Assets Available for Benefits

To reduce the impact of market volatility on the Plan's funded status, asset values are adjusted for fluctuations in fair values. The valuation method recognizes the amount by which actual market returns differ from assumed investment returns. Under this method, asset values are calculated based on what the asset value would be at the valuation date had the assets earned precisely the rate of return assumed in the actuarial valuation. This calculation is carried out independently at each of two starting points, namely the market value as at each of the two calendar year-ends preceding the valuation date. These two calculated values, together with the market value as at the valuation date, are averaged to determine the actuarial value of assets.

(d) Income Recognition

Dividends are accrued on the ex-dividend date. Income from other investments is accrued as earned. Gains or losses on investments are recognized concurrently with changes in fair value.

(e) Foreign Exchange

Foreign currency transactions are translated into Canadian dollars using average rates of exchange, except for hedged foreign currency transactions which are translated at rates of exchange established by the terms of the forward exchange contracts. At year-end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Exchange differences are included in the determination of net investment loss.

(f) Valuation of Derivative Contracts

Derivative contracts (see Note 5) include equity and bond index swaps, interest rate swaps, forward foreign exchange contracts, equity index futures contracts and cross-currency interest rate swaps. The value of derivative contracts is included in the fair value of pooled investment funds. The estimated amount receivable or payable from derivative contracts at the reporting date is determined by the following methods:

Equity and bond index swaps are valued based on changes in the appropriate market based index net of accrued floating rate interest.

Interest rate swaps are valued based on discounted cash flows using current market yields.

Forward foreign exchange contracts and equity index futures contracts are based on quoted market prices.

The value of cross-currency interest rate swaps is included with the value of the underlying security. Cross-currency fixed to fixed interest rate swaps are valued at quoted prices based on discounted cash flows using current market yields. Cross-currency fixed to floating interest rate swaps are valued at the principal amount plus accrued interest.

Income and expense from derivative contracts are accrued as earned and included in net investment loss. Gains and losses on forward foreign exchange contracts are recognized concurrently with changes in fair value.

Note 3
Investments (Schedules B to E)

(a) The Consolidated Cash Investment Trust Fund is managed by the Province of Alberta with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of five years.

(b) The Canadian Dollar Long Bond Pool is managed with the objective of providing competitive returns comparable to the total return of the Scotia Capital Long Term Bond Index over the long term while maintaining adequate security and liquidity of participants' capital. The portfolio is comprised of high quality Canadian fixed income instruments. Competitive returns are achieved through management of the portfolio duration and sector rotation.

(c) Real Rate of Return Bonds are issued or guaranteed by the Government of Canada and bear interest at a fixed rate adjusted for inflation.

(d) The Canadian Dollar Public Bond Pool is managed with the objective of providing competitive returns comparable to the total return of the Scotia Capital Universe Bond Index over a four-year period while maintaining adequate security and liquidity of participants' capital. The portfolio is comprised of high quality Canadian fixed income instruments and debt related derivatives. Competitive returns are achieved through management of the portfolio duration and sector rotation.

(e) The Domestic Passive Equity Pooled Fund is managed on a passive approach with the objective of providing investment returns comparable to the Toronto Stock Exchange S&P/TSX Composite Index. The portfolio is comprised of both publicly traded Canadian equities and structured investments replicating the S&P/TSX Composite Index.

	2002		2001	
	($thousands)	*%*	*($thousands)*	*%*
Fixed Income Securities (Schedule B)				
Deposit in the Consolidated Cash Investment Trust Fund (a)	$ 11,513	0.7	$ 33,273	2.0
Canadian Dollar Long Bond Pool (b)	274,166	17.9	304,804	18.2
Real Rate of Return Bonds (c)	229,655	15.0	233,659	13.9
Canadian Dollar Public Bond Pool (d)	3,333	0.2	3,045	0.2
Total fixed income securities	**518,667**	**33.8**	**574,781**	**34.3**
Canadian Equities (Schedule C)				
Domestic Passive Equity Pooled Fund (e)	153,068	10.0	227,315	13.6
External Managers				
Canadian Large Cap Equity Pool (f)	111,770	7.3	83,032	4.9
Canadian Small Cap Equity Pool (f)	19,229	1.3	17,910	1.1
Canadian Pooled Equities Fund (g)	23,490	1.5	106,055	6.3
Private Equity Pool (h)	3,371	0.2	5,931	0.4
	310,928	20.3	440,243	26.3
United States Equities (Schedule D)				
US Passive Equity Pooled Fund (i)	250,426	16.3	162,444	9.7
External Managers				
US Large Cap Equity Pool (j)	28,882	1.9	65,210	3.9
US Mid/Small Cap Equity Pool (j)	27,795	1.8	8,352	0.5
US Passive Equity Pool (i)	3,569	0.2	62,248	3.7
United States Pooled Equities Fund	56	-	251	-
	310,728	20.2	298,505	17.8
Non-North American Equities (Schedule E)				
External Managers				
EAFE Core Equity Pool (k)	165,140	10.7	157,304	9.4
EAFE Plus Equity Pool (k)	77,312	5.0	80,812	4.8
Emerging Markets Equity Pool (l)	52,371	3.4	55,742	3.3
EAFE Passive Equity Pool (m)	24,049	1.6	40,889	2.4
EAFE Structured Equity Pooled Fund (m)	76,541	5.0	29,185	1.7
	395,413	25.7	363,932	21.6
Total equities	**1,017,069**	**66.2**	**1,102,680**	**65.7**
Total investments	**$ 1,535,736**	**100.0**	**$ 1,677,461**	**100.0**

(f) The External Managers Canadian Large Cap and Small Cap Equity Pools consist of multiple portfolios of publicly traded Canadian equities. Each portfolio is actively managed by an external manager with expertise in the Canadian large cap or small cap equity markets. The Small Cap Pool is restricted to investing in publicly traded Canadian equities with a market capitalization of up to 0.15% of the S&P/TSX Composite Index total market capitalization at time of purchase. The performance objective is to provide investment returns higher than the total return of the S&P/TSX Composite Index over a four-year period while reducing return volatility through multiple manager investment style and unique market capitalization focus.

(g) The Canadian Pooled Equities Fund is managed with the objective of providing returns higher than the total return of the S&P/TSX Composite Index while maintaining preservation of participants' capital. The portfolio is comprised of publicly traded equities in Canadian corporations and is designed to reduce risk by prudent security selection and sector rotation.

(h) The Private Equity Pool is in the process of orderly liquidation.

(i) The External Managers US Passive Equity Pool and the US Passive Equity Pooled Fund consist of a single portfolio of publicly traded United States equities similar in weights to the Standard & Poor's S&P 500 Index. The External Managers US Passive Equity Pool is managed passively by an external manager with expertise in the US equity market and the US Passive Equity Pooled Fund is managed internally. The performance objective is to provide investment returns comparable to the total return of the S&P 500 Index. To enhance investment returns with no substantial increase in risks, the US Passive Equity Pooled Fund also invests in futures, swaps and other structured investments.

(j) The External Managers US Large Cap Equity Pool consists of multiple portfolios and the External Managers US Mid/Small Cap Equity Pool consists of a single portfolio of publicly traded United States equities. Each portfolio is actively managed by an external manager with expertise in the US large cap or mid/small cap equity markets. The performance objective is to provide returns higher than the total return of the S&P 500 Index for the US Large Cap Pool and the Russell 2500 Index for the US Mid/ Small Cap Pool over a four-year period while reducing return volatility through multiple manager investment style and unique market capitalization focus.

(k) The External Managers EAFE Core and Plus Equity Pools consist of multiple portfolios of publicly traded Non-North American equities. Each Core portfolio is actively managed by an external manager and has constraints on foreign currency management and deviations from the Morgan Stanley Capital International (MSCI) Europe, Australia and Far East (EAFE) Index asset mix by country. The Plus portfolios are actively managed by external managers with less constraints on country allocation, stock selection, currency management and investments in emerging markets. The performance objective is to provide investment returns higher than the total return of the MSCI EAFE Index over a four-year period while reducing return volatility through multiple manager investment style and market diversification.

(l) The External Managers Emerging Markets Equity Pool consists of a single portfolio of publicly traded equities in emerging markets around the world. The portfolio is actively managed by an external manager with expertise in emerging markets. The performance objective is to provide returns higher than the total return of the Morgan Stanley Capital Index Emerging Markets Free (MSCI EMF) Index over a four-year period.

(m) The External Managers EAFE (Europe, Australia and Far East) Passive Equity Pool and the EAFE Structured Equity Pooled Fund's performance objective is to provide returns comparable to the total return of the MSCI EAFE index over a four-year period. The External Managers EAFE Passive Equity Pool consists of a single portfolio of Non-North American publicly traded equities similar in weights to the MSCI EAFE index. The EAFE Structured Equity Pooled Fund is internally managed and provides exposure to foreign markets in Europe, Australia and the Far East through the use of structured investments such as foreign equity index swaps. The pooled fund also invests in the Floating Rate Note Pool to generate the floating rate cash flows needed for its equity swap obligations.

Note 4
Investment Risk Management

Fair values of investments are exposed to credit risk and price risk. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

Long-term real rate of return on investments is the key assumption in calculating the actuarial liabilities of the Plan. In order to earn the best possible return at an acceptable level of risk, the Board of Trustees established a policy asset mix of 35% fixed income instruments and 65% equities. Investment risk is reduced through asset class diversification, diversification within each asset class, quality constraints on fixed income instruments and restrictions on amounts exposed to countries designated as emerging markets. Controls are in place respecting the use of derivatives (see Note 5). Forward foreign exchange contracts are used to manage currency exposure in connection with securities purchased in a foreign currency (see Note 5).

Note 5
Derivative Contracts

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates or currency rates. The Plan uses derivative contracts held indirectly through pooled investment funds to enhance return, manage exposure to interest rate and foreign currency risks, and for asset mix management purposes. The notional value of a derivative contract represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows.

A swap is a contractual agreement between two counter- parties to exchange a series of cash flows based on a notional amount. An equity or bond index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional amount. Cross-currency interest rate swaps are contractual obligations in which the principal amounts of Canadian fixed-income securities denominated in foreign currency are exchanged for Canadian currency amounts both initially and at maturity. Over the term of the cross-currency swap, counter-parties exchange fixed to fixed and fixed to floating interest rate cash flows in the swapped currencies. There are underlying securities supporting all swaps. Leveraging is not allowed.

Forward foreign exchange contracts are agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

Equity index futures contracts are agreements to receive or pay cash on an agreed settlement date based on changes in the level of a specified stock index in the future.

The following is a summary of the Plan's proportionate share of the notional amount and net fair value of derivative contracts held by pooled funds at December 31, 2002:

	2002					2001	
	Maturity						
	Under 1 Year	1 to 3 Years	Over 3 Years	Notional Amount	Fair Value (a)	Notional Amount	Fair Value (a)
	%			($thousands)			
Equity index swap contracts	68	32	-	$ 402,083	$ 2,617	$ 278,932	$ 10,086
Bond index swap contracts	100	-	-	61	1	85	-
Interest rate swap contracts	39	49	12	136,078	(8,090)	65,394	(2,649)
Forward foreign exchange contracts	100	-	-	63,431	276	63,014	110
Equity index futures contracts	-	-	-	-	-	9,079	331
				601,653	$ (5,196)	416,504	$7,878
Cross-currency interest rate swap contracts (b)	48	33	19	155,244		149,630	
				$ 756,897		$ 566,134	

(a) The method of determining fair value of derivative contracts is described in Note 2(f).

(b) Cross-currency interest rate swap contracts are valued as a package, which includes underlying securities. As at December 31, 2002, the combined value of cross-currency interest rate swap contracts and underlying securities amounted to $154,801,000 (2001 $150,256,000).

The notional amounts, upon which payments are based, are not indicative of the credit risk associated with derivative contracts. Current credit exposure is represented by the current replacement cost of all outstanding contracts in a favourable position (positive fair value). The Plan attempts to limit its credit exposure by dealing with counter-parties believed to have good credit standing.

Note 6
Net Investment Loss

The following is a summary of the Plan's proportionate share of net investment income (loss) by type of investments:

	2002	2001
	($thousands)	
Deposits and Fixed Income Securities	$ 68,878	$ 19,977
Canadian Equities	(53,484)	(50,518)
Foreign Equities		
United States	(68,410)	(16,085)
Non-North American	(52,649)	(45,707)
	$ (105,665)	$ (92,333)

Net investment loss is comprised of the following:

	2002	2001
	($thousands)	
Net realized and unrealized losses on investments, including those arising from derivative transactions	$ (160,615)	$ (156,425)
Interest income	43,292	47,587
Dividend income	13,413	18,160
Securities lending income	432	562
Pooled funds management and associated custodial fees	(2,187)	(2,217)
	$ (105,665)	$ (92,333)

Note 7
Plan Expenses

	2002	2001
	($thousands)	
General Plan costs	$ 1,391	$ 1,323
Transition costs	352	794
Investment management costs	287	255
	$ 2,030	$ 2,372

Total Plan expenses amounted to $239 per member (2001 $303 per member). Reduced transition costs accounted for the majority of the decrease.

Pension administration costs totaling $684,000 (2001 $557,000) included in general Plan costs were paid to Alberta Pensions Administration Corporation on a cost recovery basis. Investment management costs, including portfolio management, investment systems, internal audit and cash management expenses, were paid to Alberta Revenue on a cost recovery basis.

Pooled funds management and associated custodial fees totalling $2,187,000 (2001 $2,217,000), which have been included in the calculation of net investment loss of the pools, are excluded from Plan expenses.

Total expenses, including pooled funds management and associated custodial fees, amounted to 0.274% (2001: 0.273%) of assets under administration.

Note 8
Accrued Pension Liability

(a) Actuarial Valuation

An actuarial valuation of the Plan was carried out as at December 31, 2000 by William M. Mercer Limited and was then extrapolated to December 31, 2002. The extrapolation does not include the impact of increases in the maximum pensionable salary proposed in the 2003 Federal Budget.

The 2000 valuation was determined using the projected benefit method prorated on service. The assumptions used in the valuation and extrapolation were developed as the best estimate of expected short-term and long-term market conditions and other future events. After consultation with the Plan's actuary, the Universities Academic Pension Plan Board of Trustees adopted this best estimate.

The major assumptions used were:

	2002 AND 2001 EXTRAPOLATION	2000 VALUATION
Asset real rate of return	4	4
Inflation rate	3.50	3.50
Investment return	7.50	7.50
Salary escalation rate *	3.50	3.50
Pension cost-of-living increase as a percentage of Alberta Consumer Price Index	60	60

**In addition to merit and promotion.*

In accordance with the requirements of the *Public Sector Pension Plans Act*, a separate accounting is required of the pension liability with respect to service that was recognized as pensionable as at December 31, 1991. This information is provided in the statement of changes in accrued liability which shows the principal components of the change in the actuarial value of accrued benefits. The following table summarizes the accrued pension liability, fair value of assets, and the resulting actuarial deficiency as at December 31, 2002 allocated between the pre-1992 and post-1991 periods:

	2002			2001
	Pre-1992	Post-1991	Total	Total
	($thousands)			
Fair value of net assets	$ 984,828	$ 556,600	$ 1,541,428	$ 1,683,104
Actuarial adjustment for fluctuation in fair value of net assets	158,800	77,700	236,500	163,900
Actuarial value of net assets available for benefits	1,143,628	634,300	1,777,928	1,847,004
Accrued pension liability	1,461,821	643,479	2,105,300	1,999,000
Actuarial deficiency	$ 318,193	$ 9,179	$ 327,372	$ 151,996

The Plan's unfunded liability for service prior to January 1, 1992 is being financed by additional contributions of 1.25 percent of salaries by the Province of Alberta with employees and employers equally sharing the balance of the contributions required to eliminate the unfunded liability on or before December 31, 2043. The actuarial valuation shows the present value at December 31, 2000 of the Province of Alberta's obligation for future additional contributions was $144 million.

The Province reports its obligation to the Plan in its consolidated financial statements. The amount reported by the Province represents estimates of the present value of the Province's obligation for future additional contributions, including deferred adjustments.

(b) **Sensitivity of Changes in Major Assumptions**

The Plan's future experience will inevitably differ, perhaps significantly, from these assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and will affect the financial position of the Plan.

	Sensitivities		
	Changes in Assumptions %	Increase in Plan Deficiency *($millions)*	Increase in Current Service Cost as a % of Pensionable Earnings*
Inflation rate increase holding nominal investment return and salary escalation assumptions constant	1.0%	$132.4	0.87%
Salary escalation rate increase holding inflation rate and nominal investment return assumptions constant	1.0%	51.8	0.81%
Investment rate of return decrease holding inflation rate and salary escalation assumptions constant	(1.0%)	266.3	3.03%

**The current service cost as a % of pensionable earnings as determined by the December 31, 2000 valuation is 14.19%.*

Note 9
Remuneration of Board Members

Remuneration rates as approved by the Plan Sponsors are as follows:

	Chair	Trustees
Remuneration rates effective April 1, 2002		
Up to 4 hours	$ 159	$ 118
4 to 8 hours	271	196
Over 8 hours	432	307

	2002	2001
During the year, the following amounts were paid:		
Remuneration		
Chair	$ 3,700	$ 6,518
Trustees (8)	37,970	35,152
Travel expenses		
Chair	1,853	199
Trustees (8)	23,908	25,563

Trustees are paid only for attending and preparing for board and committee meetings. Preparation time for a meeting is remunerated at no more than 4 hours. In the case of some Trustees, their fees are paid to their employer or academic staff association.

Note 10
Budget Information

The accrued pension liability is based on the Board of Trustees' best estimates of future events after consultation with the Plan's actuary. Differences between actual results and expectations are disclosed as net experience gains or losses in the statement of changes in accrued pension liability. Accordingly, a budget is not included in these financial statements.

Note 11
Comparative Figures

Comparative figures have been reclassified to be consistent with 2002 presentation.

Note 12
Approval of Financial Statements

These financial statements were approved by the Board of Trustees of the Plan.

SCHEDULE A
SCHEDULE OF INVESTMENT RETURNS

Year ended December 31, 2002

The Plan uses the time-weighted rate of return based on market values to measure performance. The measure involves the calculation of the return realized by the Plan over a specified period and is a measure of the total proceeds received from an investment dollar initially invested. Total proceeds include cash distributions (interest and dividend payments) and capital gains or losses (realized and unrealized).

The time-weighted rate of return measures the compounded rate of growth of the initial investment over the specified period. It is designed to eliminate the effect that the size and timing of cash flows have on the internal rate of return. The investment industry uses time-weighted rates of return calculated using market values when comparing the returns of funds with other funds or indices.

Investment returns and the relevant benchmarks for the Plan for the one- and five-year periods ended December 31, 2002 are as follows:

	ONE YEAR RETURN					5 YEAR COMPOUND ANNUALIZED RETURN
	2002	2001	2000	1999	1998	
Time-weighted rates of return						
Short-term fixed income	2.8	4.9	5.7	5.1	5.2	4.7
Scotia Capital 91-Day T-Bill Index	*2.5*	*4.7*	*5.5*	*4.7*	*4.7*	*4.4*
Long-term fixed income	11.9	5.9	12.6	(5.8)	8.7	6.5
Scotia Capital Long Term Bond Index	*11.0*	*6.1*	*13.0*	*(6.0)*	*12.9*	*7.1*
Real Rate of Return Bonds	15.3	(0.9)	16.5	8.1	6.1	8.8
Scotia Capital Real Return Bond Index	*15.3*	*0.5*	*16.7*	*8.0*	*6.0*	*9.1*
Total fixed income	**14.0**	**2.8**	**13.6**	**(2.3)**	**8.5**	**7.1**
Fixed Income Index (a)	*13.0*	*3.7*	*13.9*	*(2.5)*	*9.2*	*7.3*
Canadian equities	**(12.0)**	**(9.5)**	**10.0**	**27.3**	**(3.5)**	**1.5**
S&P/TSX Composite Index	*(12.4)*	*(12.6)*	*7.4*	*31.7*	*(1.6)*	*1.2*
United States equities	(22.5)	(7.1)	(4.7)	13.6	29.3	0.2
Standard & Poor's 500 Index	*(22.9)*	*(6.4)*	*(5.8)*	*14.2*	*38.0*	*1.4*
Non-North American equities	(14.5)	(13.2)	(13.9)	42.4	23.6	2.4
MSCI EAFE Index	*(16.8)*	*(16.5)*	*(11.2)*	*20.0*	*28.8*	*(1.0)*
Total foreign equities	**(18.0)**	**(10.6)**	**(10.1)**	**30.6**	**24.7**	**1.4**
Foreign Equity Index (b)	*(18.9)*	*(10.5)*	*(10.1)*	*18.7*	*33.5*	*0.7*
Real estate**	n/a	n/a	n/a	n/a	12.8	n/a
*Russell Canadian Property Index***	*n/a*	*n/a*	*n/a*	*n/a*	*16.0*	*n/a*
Overall	**(6.3)**	**(5.1)**	**5.2**	**15.7**	**7.5**	**3.1**
Policy Benchmark	**(7.1)**	**(5.3)**	**4.6**	**13.4**	**9.1**	**2.6**

(a) 54.5% Scotia Capital Long Term Bond Index and 45.5% Scotia Capital Real Return Bond Index.

(b) 44.4% S&P 500 Index, 48.9% MSCI EAFE Index and 6.7% MSCI EMF Index.

** *Real estate return is reported on a net basis after expenses, while the Russell Canadian Property Index reports return on a gross basis.*

Schedule B
Schedule of Investments in Fixed Income Securities

December 31, 2002 ($thousands)

	Plan's Share	
	2002	2001
Deposits and Short-Term Securities	$ 12,583	$ 34,501
Fixed Income Securities (a)		
Public		
Government of Canada direct and guaranteed	295,031	311,404
Provincial		
Alberta, direct and guaranteed	8	11
Other, direct and guaranteed	125,267	138,011
Municipal	12,397	11,716
Corporate	69,151	73,943
Private		
Corporate	350	398
	502,204	535,483
Receivable from sale of investments and accrued investment income	3,881	4,800
Liabilities for investment purchases	(1)	(3)
	3,880	4,797
	$518,667	**$574,781**

(a) Fixed income securities held as at December 31, 2002 had an average effective market yield of 4.67% per annum (2001: 5.17%). The following term structure of these securities as at December 31, 2002 was based on principal amount.

	2002	2001
	%	
5 to 10 years	6	1
11 to 20 years	24	34
over 20 years	70	65
	100	100

SCHEDULE C
SCHEDULE OF INVESTMENTS IN CANADIAN EQUITIES

December 31, 2002 ($thousands)

	PLAN'S SHARE	
	2002	2001
Deposits and Short-Term Securities	$ 2,763	$ 5,711
Public Equities (a) (b)		
Consumer discretionary	24,932	35,800
Consumer staples	13,018	14,622
Energy	45,559	48,932
Financials	91,022	119,809
Health care	9,706	19,029
Industrials	26,214	46,083
Information technology	14,950	47,605
Materials	49,259	55,712
Telecommunications services	15,429	21,136
Utilities	9,849	13,328
	299,938	422,056
Passive index	1,322	3,814
	301,260	425,870
Private Equities	2,961	4,147
Receivable from sale of investments and accrued investment income	4,885	6,426
Liabilities for investment purchases	(941)	(1,911)
	3,944	4,515
	$ 310,928	$ 440,243

(a) The Plan's net investment in Canadian public equities includes the fair value of deposits and floating rate notes, totalling $75,251,000 (2001 $100,453,000), which were used as underlying securities to support the notional amount of Canadian equity index swap contracts.

(b) The sector classification conforms to the Global Industry Classification Standard followed by the Toronto Stock Exchange S&P/TSX Composite Index.

Schedule D
Schedule of Investments in United States Equities

December 31, 2002 ($thousands)

	Plan's Share	
	2002	2001
Deposits and Short-Term Securities	$ 2,323	$ 815
Public Equities (a) (b)		
Consumer discretionary	42,831	40,792
Consumer staples	27,736	23,176
Energy	18,442	18,822
Financials	64,663	45,565
Health care	45,779	43,074
Industrials	36,707	35,127
Information technology	44,629	53,089
Materials	9,313	8,475
Telecommunication services	11,896	15,383
Utilities	9,146	9,484
	311,142	292,987
Receivable from sale of investments and accrued investment income	2,250	5,044
Liabilities for investment purchases	(4,987)	(341)
	(2,737)	4,703
	$ 310,728	$ 298,505

(a) The Plan's net investment in United States public equities includes the fair value of deposits and floating rate notes, totalling $251,390,000 (2001 $157,400,000), which were used as underlying securities to support the notional amount of US equity index swaps and futures contracts.

(b) The sector classification conforms to the Global Industry Classification Standard followed by the Standard & Poor's S&P 500 Index.

Schedule E
Schedule of Investments in Non-North American Equities

December 31, 2002 ($thousands)

	Plan's Share	
	2002	2001
Deposits and Short-Term Securities	$ 8,676	$ 10,359
Public Equities (a)		
Country		
United Kingdom	93,543	76,975
Japan	53,236	49,522
Switzerland	30,499	21,550
France	29,417	34,082
Netherlands	21,486	22,279
Germany	19,494	20,655
Australia	15,933	11,439
Italy	13,591	10,533
Hong Kong	12,328	13,542
Spain	7,323	9,185
Finland	6,617	5,457
Sweden	6,274	5,654
Other	78,078	71,095
	387,819	351,968
Receivable from sale of investments and accrued investment income	2,388	4,347
Liabilities for investment purchases	(3,470)	(2,742)
	(1,082)	1,605
	$395,413	$363,932

(a) The Plan's net investment in Non-North American public equities includes the fair value of deposits and floating rate notes, totalling $5,442,000 (2001 $27,921,000), which were used as underlying securities to support the notional amount of Non-North American equity index swap contracts.

Glossary

Terms

Active management
Active management of assets generally takes two forms – security selection or market timing. Security selection is the buying and selling of particular securities to earn a return above a market index such as the S&P 500 for US stocks. Market timing refers to changing asset class weights to earn a return above what would be available from maintaining the asset class weights in the policy asset mix.

Active member
A member who is making contributions or, if not making contributions, is on non-contributory leave, on approved disability leave, or has maximum pensionable service (35 years).

Asset mix
The percentage of a plan's assets allocated to the major asset classes (for example, 35% fixed income and 65% equities).

Benchmark
A standard such as the S&P 500, against which performance is measured. For the purposes of this report, benchmarks are established return indices (listed in percentages) used to measure the Fund's relative investment returns.

Bond
A promissory note issued by a company or government which bears a fixed maturity date and a rate of interest.

Deferred member
A member who is no longer employed by a Plan employer, has left his/her contributions in the Plan, and has a right to a deferred pension.

Emerging market
An economy in the earlier stages of development whose markets have sufficient size and liquidity and are receptive to foreign investment. Examples include China, Greece, and Brazil.

Equity
Stock; the ownership interest in a company.

External manager
A third-party firm contracted by the Investment Management Division of Alberta Revenue to provide investment management services.

Large cap
Investment in larger capitalized firms. Within Canada, companies with a market capitalization of greater than 0.15% of the total Toronto Stock Exchange market capitalization.

Passive management
Passive management involves investing to replicate the performance of a given market index such as the S&P/TSX (Capped) for Canadian stocks.

Policy benchmark
The Policy Benchmark is a composite return based on the percentage of a pension plan's fund allocated by policy to each asset class and the market index return for that class. It is used to measure the plan's relative performance.

Real return bond
A fixed-income investment product (a bond) whose return is designed to generate a specified real rate of return. *The real interest rate is the nominal (set) interest rate minus inflation.*

Small cap
Investment in smaller capitalized firms. Within Canada, companies with a market capitalization of up to 0.15% of the Toronto Stock Exchange market capitalization.

Statement of Investment Policies and Goals
A comprehensive statement by the Board outlining the asset mix of the Fund, the allowable range for each asset class and the benchmarks for measuring performance.

Swap (Structured Investment)
An agreement to exchange certain securities, usually future cash flows, on certain dates in the future. The size of these cashflows is normally determined in relation to a nominal, underlying amount, called the notional amount. The underlying security, representing the notional amount in a non-leveraged account, is not exchanged between counterparties.

T-bill
A short-term government security.

Total return
Interest income plus price increases or decreases.

Unfunded liability
An unfunded liability exists when the actuarial valuation determines that the Fund's accrued liabilities exceed the net assets available for the payment of benefits.

Indices

Consumer Price Index (CPI)
Measures the relative prices at various times of a selected basket of goods and services.

Frank Russell Median Manager
A reference point for measuring performance. Frank Russell Canada Limited conducts surveys of balanced fund managers on a quarterly basis to create the Frank Russell universe. From this universe, Frank Russell determines the median (or middle-ranked) manager.

Related Terms: Frank Russell Canada Limited is an independent performance measurement firm that measures the relative performance of investment managers. A balanced fund is an investment portfolio with a mix of bonds, preferred stocks, and common stocks designed to conserve the investor's initial principal, pay current income, and achieve long-term growth.

MSCI EAFE Index (Morgan Stanley Capital International — Europe, Australia, and the Far East)
The MSCI EAFE index is an international stock index that was developed in 1969 by Morgan Stanley Capital International to track changes in the equity markets of developed countries outside North America. The index includes 21 nations. Stocks are selected for the MSCI EAFE based on their countries of origin and their standing within their individual industry group.

Russell Canadian Property Index
Measures the total return attributable to Canadian commercial real estate. Maintained by Frank Russell, the index is compiled and reported every three months.

S&P/TSX (Capped)
An index maintained by the S&P/TSX Canadian Index Policy Committee that measures the total return of the largest companies that trade on the Toronto Stock Exchange. In the S&P/TSX (capped), a single company's weight in the index is capped at 10%.

ScotiaCapital Markets 91-Day T-Bill Index
Measures the total return attributable to 91-Day T-bills. Maintained by ScotiaCapital.

ScotiaCapital Markets Long Bond Index
Measures the total return attributable to bonds. Maintained by ScotiaCapital and includes representative bond issues by issuer (Federal, Provincial, Municipal, and Corporate), by quality (AAA, AA, A, and BBB).

Scotia Capital Markets Real Return Bond Index
Measures the total return attributable to real return bonds (bonds whose return is linked to an inflation index).

ScotiaCapital Markets Universe Bond Index
Measures the total return attributable to bonds. Maintained by ScotiaCapital and includes representative bond issues by issuer (Federal, Provincial, Municipal, and Corporate), by quality (AAA, AA, A, and BBB), and term (short-, mid-, and long-).

Standard & Poor's 500 Index
The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market-value weighted index (stock price times number of shares outstanding), with each stock's weight in the Index proportionate to its market value. The "500" is one of the most widely used benchmarks of US equity performance.

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